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Feature Article - Training Australia's Workers

INTRODUCTION

Investment in education and training contributes to a highly skilled and productive workforce, which, in turn, leads to economic growth. Because it is in the interests of employers to have a productive workforce, many assist their staff to develop their skills by providing vocational training. However, the provision of education and training can be a significant cost to employers.

This article aims to provide an insight into the changes that have occurred in structured training activity in Australia, mainly between 1993 and 1996. This includes changes in the time or monetary costs of structured training. Such training covers activities having a predetermined plan and format and which are designed to develop employment-related skills and competencies, as opposed to other forms of training such as that provided 'on-the-job'.

BACKGROUND

The information sources for this article are the ABS:

- Training Expenditure Surveys;
- Training Practices Surveys; and
- Surveys of Education and Training.

The Training Expenditure Surveys in 1993 and 1996 provide estimates of the costs to employers of providing structured training to their employees for the period 1 July to 30 September (i.e. the September quarter).

The Training Practices Surveys in 1994 and 1997 provide estimates of the type of training employers provided to their employees, and information about factors affecting its provision, in the 12 month period ending February of the year of collection.

Finally, the Surveys of Education and Training in 1989, 1993 and 1997 provide detailed and wide-ranging information about education and training in Australia in the 12 months preceding the surveys. Data from these household-based surveys can be analysed in conjunction with social and demographic data to provide a comprehensive picture of the education and training experiences of Australians.

The timing of these surveys coincided with the introduction, operation and removal of the Training Guarantee. The Training Guarantee legislation came into effect in July 1990, was suspended in 1994 and abolished in July 1996. The legislation required employers above a specified payroll threshold to spend a minimum percentage of their payroll on eligible training. Minimum expenditure was set initially at 1% and generally applied to organisations with 10 or more employees (or equivalent payroll size).

Information collected from these training surveys conducted by the ABS has been drawn together to compare the cost and significance of structured training for the employer.

EXPENDITURE BY EMPLOYERS OF TRAINING

The Training Expenditure Survey showed that during the September quarter 1996, Australian employers spent a total of \$1,179 million on structured training for their employees. Expenditure for the corresponding period in 1993 was \$1,103 million. While there was a small increase in total current price expenditure between the two periods, structured training expenditure expressed as a proportion of gross wages and salaries (which provides an indicator of the changing emphasis placed on training over time) declined by 11.2%.

1. MEASURES OF STRUCTURED TRAINING EXPENDITURE

		September quarter	
		1993	1996
	units		
Expenditure as a proportion of gross wages and salaries	%	2.9	2.5
Expenditure per employee	\$	191	185
Training per employee	hrs	5.6	4.9
Total training expenditure	\$m	1,103	1,179
Employers providing training	%	22.6	17.8

Source: Employer Training Expenditure, Australia, July to September 1996, ABS cat. no. 6353.0.

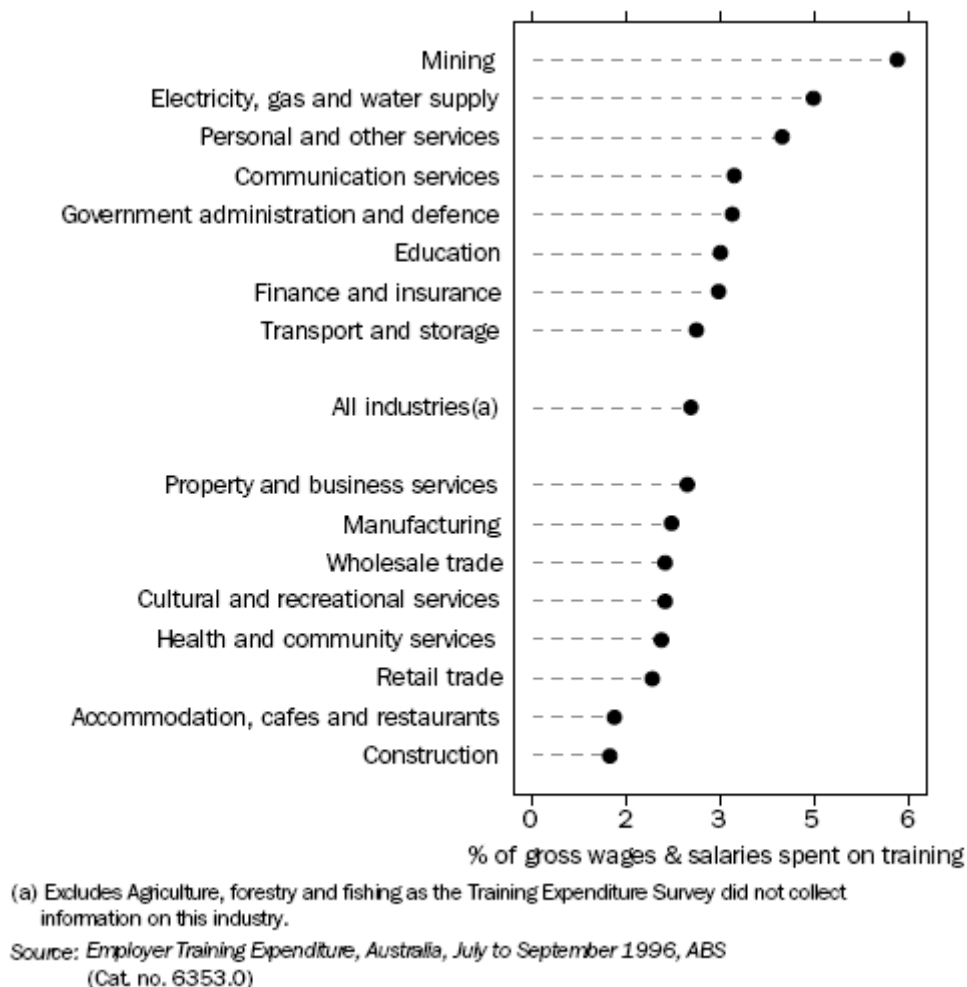
In the September quarter 1996, 18% of employers provided structured training compared to 23% in 1993. However, those who did provide structured training in 1996 employed 69% of all wage and salary earners (80% in 1993). The average expenditure on structured training per employee was not significantly different in 1996 (\$185) compared to 1993 (\$191). However, for those employers providing structured training, the average expenditure per employee was significantly higher in 1996 than in 1993 (\$268 and \$238, respectively).

The cost of training can also be measured in terms of the time that employees spend away from their normal duties in undertaking structured training. In the September quarter 1996, over all employees, the average training time per employee was 4.9 hours, down from 5.6 hours in 1993.

STRUCTURED TRAINING BY INDUSTRY

In the September quarter 1996, expenditure on structured training as a proportion of gross wages and salaries was highest in the Mining industry (5.8%) and lowest in the Accommodation, cafes and restaurants and Construction industries (1.3%). The average across all industries was 2.5%.

2. EXPENDITURE ON STRUCTURED TRAINING BY INDUSTRY, September quarter 1996



For most industries reported expenditure on structured training in 1996 was not significantly different to expenditure reported in 1993. Only two industries reported significant differences in training expenditure as a proportion of gross wages and salaries between 1993 and 1996 - expenditure by the Education industry was higher in 1996 compared to 1993 (3.0% and 2.5%, respectively) and expenditure by the Communication services industry was lower in 1996 compared to 1993 (3.2% and 5.4%, respectively).

All industries reporting below average levels of expenditure in 1996 had reduced the proportion of gross wages and salaries spent on training since 1993.

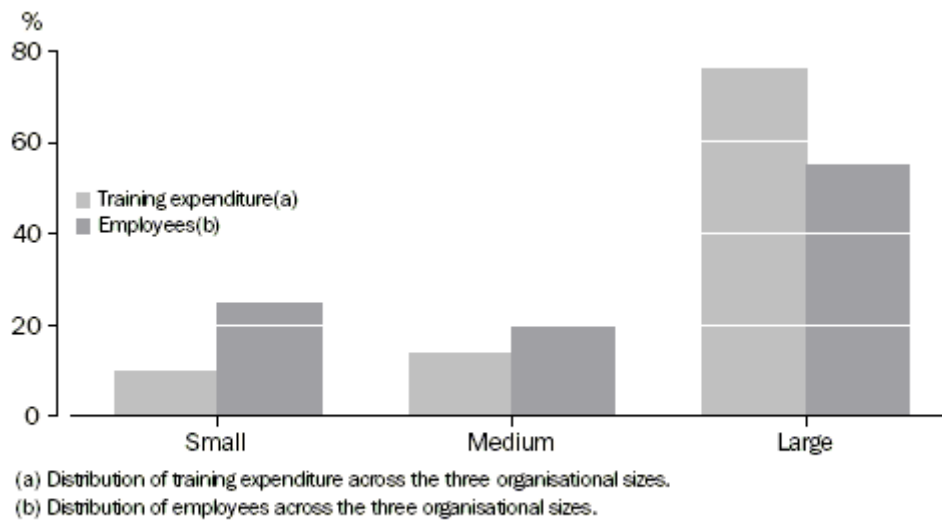
STRUCTURED TRAINING BY ORGANISATION SIZE

Small organisations (those with 1-19 employees) accounted for 10% of the total training expenditure but employed 25% of all employees in the September quarter 1996. Medium-sized organisations (20-99 employees) accounted for 14% of total training expenditure and 20% of employees. On the other hand, large organisations (100 employees or more) accounted for 76% of total training expenditure while employing 55% of all employees. They also spent higher proportions of their gross wages and salaries on training, had higher average expenditure per employee, and provided more hours of training to their employees than small

and medium-sized organisations did in this period. Large organisations were also the only group to report higher average training expenditure per employee in the September quarter 1996 (\$256) than in September quarter 1993 (\$236). Those findings of more training and higher

training expenditure by large organisations, are true for public and private sector organisations.

3. DISTRIBUTION OF PROPORTIONS OF TRAINING EXPENDITURE AND EMPLOYEES, September quarter 1996



Source: Employer Training Expenditure, Australia, July to September 1996, (Cat. no.6353.0).

4. MEASURES OF STRUCTURED TRAINING EXPENDITURE, BY ORGANISATION SIZE, September Quarter 1996

		Organisation size				
		Units	1-19 employees	20-99 employees	100 or more employees	All employers
Expenditure as a proportion of gross wages and salaries	%		1.2	1.9	3.2	2.5
Expenditure per employee	\$		71	136	256	185
Training per employee	hrs		2.4	3.8	6.5	4.9
Total training expenditure	\$m		115	168	895	1,179
Employers providing training	%		13.4	50.5	88.3	17.8

Source: Employer Training Expenditure, Australia, July to September 1996, ABS cat. no. 6353.0.

Organisations employing 10 or more employees (those most likely to have been subject to the Training Guarantee during its operation) spent an average of 2.7% of gross wages and salaries on structured training in the September quarter 1996, with 56% reporting that they did not provide any structured training to their employees.

FIELDS OF TRAINING

In the September quarter 1996, employers provided most structured training in the field of 'management and professional training' (0.9 hours per employee). Large organisations provided the highest quantity of this training (1.3 hours) and spent four times as much on the wages and salary costs for this field of training (\$29 per employee) than did small organisations (\$7), and more than double that of medium-sized organisations (\$13).

Large organisations provided more training than other sized organisations in the September quarter 1996 in all fields except 'Trade and apprenticeship' training (49 minutes per employee),

where the amount of training provided was slightly less than that provided by small organisations (56 minutes per employee).

5. FIELDS OF STRUCTURED TRAINING, Average Minutes per Employee, By Organisation Size - September quarter 1996

	Organisation size			All employers
	1-19 employees	20-99 employees	100 or more employees	
Introduction	*7	16	32	22
General supervision	*5	15	20	16
General computing	12	21	33	25
Health and safety	3	24	29	21
Personal development	**	13	26	18
Management and professional	16	32	77	53
Technical and associate professional	*9	*17	43	29
Trade and apprenticeship	56	50	49	51
Sales, clerical/office and personal service	26	23	46	36
Plant and machinery	*3	*12	24	16
Other	**	**	8	6
All fields	145	227	387	295

* The estimate has a relative standard error of between 25% and 40% and should be used with caution.

** Subject to sampling variability too high for most practical purposes. Relative standard error greater than 40%.

Source: Employer Training Expenditure, Australia, July to September 1996, ABS cat. no. 6353.0.

SECTORAL DIFFERENCES

In the September quarter 1996 two-thirds of total training expenditure occurred in the private sector (\$779 million) and one-third in the public sector (\$400 million). However, the private sector comprised around three quarters (76%) of all employees. Compared to the private sector, the public sector spent a higher proportion of its gross wages and salaries on training (3.2% compared with 2.3%), had higher average training expenditure per employee (\$264 compared with \$161) and provided 40% more training per employee (in terms of average hours per employee).

6. MEASURES OF STRUCTURED TRAINING EXPENDITURE, By Sector - September quarter 1996

	Units	Private	Public
Expenditure as a proportion of gross wages and salaries	%	2.3	3.2
Expenditure per employee	\$	161	264
Training per employee	hrs	4.5	6.3
Total training expenditure	\$m	779	400
Employers providing training	%	17.3	58.5

Source: Employer Training Expenditure, Australia, July to September 1996, ABS cat. no. 6353.0.

COMPONENTS OF TRAINING EXPENDITURE

The cost to employers of providing structured training can be dissected into several components, the largest being the wages and salaries of employees for the time spent attending training. In the September quarter 1996 this accounted for 47% (\$549 million) of total training expenditure.

The use of trainers also represents a significant cost to employers. In the September quarter 1996 the cost of employing or paying fees to trainers accounted for a further 40% (\$476 million) of total training expenditure.

The remaining 13% (\$153 million) of total training expenditure was spent on equipment, travel, accommodation and meals, training rooms, payments to industry training bodies, materials, books, computer-based training packages, printing etc.

The distribution of training expenditure in 1996 was similar to 1993 but with lower average expenditure per employee occurring across all components of training in 1996.

7. COMPOSITION OF STRUCTURED TRAINING EXPENDITURE, \$ per employee by Sector - September quarter 1996

	Private	Public	All employers
Employees' wages and salaries for time receiving training	74	125	86
Employees' wages and salaries for time providing training	32	77	43
Fees paid to consultants and institutions for training	31	35	32
Other expenditure on training	23	27	24
Total training expenditure	161	264	185

Source: Employer Training Expenditure, Australia, July to September 1996, ABS cat. no. 6353.0.

The main difference in the composition of training expenditure between the private and public sectors was in the cost associated with trainers. The public sector spent a higher proportion on the wages and salaries of employees providing training (29%) compared to the private sector (20%). In contrast the private sector spent a higher proportion on fees paid to the consultants and institutions (19%) compared to the public sector (13%). The overall proportion spent on trainer costs was higher in the public sector (43%) compared to the private sector (39%).

OFFSETS TO TRAINING COSTS

Employers may receive subsidies and payments that partially offset their training costs. Subsidies may take the form of grants or payments from government agencies or donations from private organisations. Also included are any payments made for employees of other organisations to attend the in-house training courses of the host organisation.

In the September quarter 1996, employers reported that subsidies and payments averaged 2.6% of their training expenditure. This was similar to the proportion in 1993 (2.5%).

REASONS FOR TRAINING EMPLOYEES

The 1997 Training Practices Survey gives an insight into the reasons why Australian employers provide structured training to their employees. Some 91% of employers who provided structured training, regarded improving their employees' work performance as either an important or crucial reason for training. Improving the quality of goods and services was also regarded as important

or crucial by 81% of all employers. A similar pattern was recorded in the 1994 survey.

8. REPORTED REASONS(a) EMPLOYERS(b) PROVIDED STRUCTURED TRAINING, 12 Months ended February 1997

	Organisation size			All employers providing training %
	1-19 employees %	20-99 employees %	100 or more employees %	
Improve performance in current job	89		99	
Improve quality of goods/services	77	94	94	81
Develop a more flexible workforce	56	83	87	62
Respond to new technology	58	73	84	61
Improve employee safety in the workplace	41	73	85	48
Overcome skill shortages/recruitment difficulties	41	64	60	46
Competition from Australia/overseas	37	48	55	39
Enable employees to move to other positions	26	55	67	33
Meet enterprise bargaining requirements	10	25	39	14

(a) Employers could state that more than one reason was crucial or important.

(b) Proportion of employers who rated that reason for providing training, as crucial or important.

Source: Employer Training Practices, Australia, February 1997, ABS cat. no. 6356.0.

EMPLOYEE PARTICIPATION IN TRAINING

The 1997 Survey of Education and Training reported that 20% of persons who were wage and salary earners at any time in the 12 months prior to the survey participated in an external training course. This represented a doubling of the equivalent estimate for 1989. The proportion receiving in-house training remained relatively constant at around one-third over the two surveys. The 1997 survey also found that full-time employees were 1.4 times more likely to participate in external training courses and 1.7 times more likely to participate in in-house training courses, than were part-time employees.

EMPLOYER SUPPORT FOR TRAINING COURSES AND STUDY

The 1997 Survey of Education and Training showed that 59% of those who attended external training courses in the 12 months prior to the survey received employer support. This compares with 62% in 1993. Full-time employees were more likely to receive employer support for external training courses than were part-timers (67% and 35%, respectively) in 1997.

As well as providing training to employees, some employers support their staff in undertaking formal studies for formal post school qualifications. The Survey of Education and Training showed that of persons who were wage and salary earners at any time in the 12 months prior to the survey and who had enrolled to study for a post-school qualification in 1997, 24% received employer financial support for their study. The survey found that employers paid the fees for 14% of enrolled employees, provided paid study leave for 12%, paid for study materials for 7% and paid the Higher Education Contribution Scheme (HECS) fees for 3%.

9. WAGE AND SALARY EARNERS, Employer Support For Study and Training Courses

Undertaken(a) - 1997

	Employer supported '000	Not supported by employer '000	Total '000
In-house training			
Full-time	1,981.7	n.a.	1,981.7
Part-time	557.3	n.a.	557.3
Total	2,539.0	n.a.	2,539.0
External training			
Full-time	767.1	382.1	1,149.2
Part-time	136.3	251.2	387.5
Total	903.4	633.3	1,536.7
Studied for a qualification in the previous 12 months	250.4	804.4	1,054.7

(a) Wage and salary earners could receive more than one type of training/study.

Source: Employer Training Practices, Australia, February 1997, ABS cat. no. 6356.0.

SUMMARY

In the September quarter 1996, employers spent on average \$185 per employee in the provision of training, primarily to increase the performance of their employees.

The total amount spent on structured training per employee, the average number of hours employees spent in training, and the percentage of gross wages and salaries spent on structured training, all declined between 1993 and 1996. However, for those employees who did receive structured training, the total amount spent per employee increased.

People more likely to participate in structured training (including studying for an educational qualification) were those who were employed:

- in a large organisations rather than small organisations;
- in a public sector rather than the private sector; and
- full-time rather than part-time.

These people who were more likely to participate in structured training were also more likely to have a greater amount spent on them.

FURTHER INFORMATION AND CONSULTATION

The Surveys of Training Expenditure, Training Practices, and Education and Training provide useful information about the money and time spent on training. Copies of the publications related to the these surveys (referenced below) are available from the ABS bookshop in your State or Territory (Credit card orders Ph: 1800 815 397).

The ABS can provide more detailed, unpublished data on request. For further information please contact Ms Vicki Watson on telephone (02) 6252 7960, or facsimile (02) 6252 8013.

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